FINANCIAL FACTORS INFLUENCING DIVIDEND POLICY: AN EVIDENCE OF GENERAL INDUSTRIAL SECTOR LISTED IN KSE

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Abstract

The aspiration of this research paper is to get the measure of the Financial Factors Influencing on Dividend Policy with respect to General Industrial Sector and to grasp the association ship that impact on dividend payout. Method of sampling is being used in Simple Pooled Regression Model, Fixed Effective Model and Random Effective Model including Hausman Test taking samples of the 9 organizations listed (General Industrial Sector) on the Karachi stock exchange for the periods of 11 years (2014-2022). In Simple Regression Model (OLS) the results showed that financial factors such as (ROA, ROE and CR) has significant influence on dividend payout ratio but the association betwixt dividend payout with all explanatory variables such as (positive with return on assets, firm size and leverage while negative with return on equity, current ratio and earnings per share) and other model has applied such as Fixed Effective Model (FEM) the results showed that (Return on assets and Current ratio has significant influence on dividend payout ratio) along with association betwixt dividend payout with all explanatory variables such as (positive with return on assets and leverage while negative with return on equity, firm size, current ratio and earnings per share) however Random Effective Model (REM) has applied the results has showed that (ROA, ROE and CR) has significant impact on dividend payout ratio and others were insignificant on dividend payout but the association betwixt dividend payout with all explanatory variables such as (positive with return on assets, firm size and leverage while negative with return on equity, current ratio and earnings per share).Hausman Test has applied to evaluate the fitted model that Random Effective Model has fitted model because of P-value.5578 higher than .05 or 5%. This research paper will assist for evaluate of the dividend policy regarding General Industrial Sector which is listed in the Karachi Stock Exchange.

Keywords: Financial Factors, Dividend Policy, Karachi Stock Exchange, General Industrial Sector.

INTRODUCTION

In each sort of organizations or firms whether it's small medium enterprise, multinational companies, private or public listed companies or firms, they have own shareholders or stoke holders as well because they are involve all types of investment whether its foreign or local and after the profit gain from the investment the dividend distributed of the earnings to the shareholders because its important part of the dividend distribution that's why dividend policy is very difficult and very arduous. In management point of view it's very arduous because formulation process made by the top management but the implementation task given to the financial manager. In additional, good financial manager always planning to achieve these task in proper manner. Good dividend policies of the firm's always better attraction from the investors for the investment point of view because it is very essential to analyze the different financial factors (liquidity ratio, profitability ratios and leverage ratio) influence on dividend polices decisions which are made by the board of directors. The directors are the decision makers, if decisions are good then it should be better for the companies but as well as the shareholders because they

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are real back bone of the companies or firms.

According to AduBoanyah et al. (2013) argued that companies should effectively raise the profitability in respect of keep going payment of dividend to stoke holders and as well as should be make better their base of liquidity to strengthen the payment of dividend. Investors are always see the firm income, if their profit is high or expect to be high then the investors will invest these different firms and it expects to be raising the share price in these different firms. Different kinds of firms in now a days, one is distribute the earnings firms and other is retain earnings firms while distribute the earnings firms means when companies earns income or profit then the companies are given out to the shareholders from the decisions of the board of directors while in another kind of firm such as retain earnings firms incurs they can refinance or reinvestment in the trade or business or it can be part of the profit pay to the shareholders.

Al-Najjar and Hussainey (2009) asserts that the profitability impact on dividend payout which is the initial part of the firm. Higher profit companies are always higher payout dividend to the stockholders because the investors every time wants high net income restricted size of capital growth favors with high dividend payout ratio however financial specialists may support to the low payout ratio if capital gain charged at a lower rate. Generally, high profit companies have low payout in premature stage, when the firms become the mature then earning income given to the investors. Dividend payout ratio either its high or low it based on investors understood. A high payout ratio is always favors to the investors because they purchase stocks to earn consistent dividend income or higher portion of the earnings to its shareholders while low payout ratio favors of those investors who wants stocks appreciation in the future or companies retains the higher portion of the earnings for the process of increasing in size in future so that's why the high firms always pay dividend in consistent basis.

This study is investigate to evaluate the financial factor impact in dividend policies regarding general industrial sector which is listed in Karachi Stock Exchange while data sample has gathered of 11 years from 2005-2015 rely on three different models (Simple Pooled (OLS) regression model, Fixed Effective Model (FEM) and (REM) Random Effective Model) will be applied to evaluate the participate hypothesis of financial factors and the dividend payout.

Problem of Research

The research problem of this study is as per the following:

- Examine the association betwixt dividend policy and the financial factors regarding general industrial sector?
- Examine the influence of explanatory variables on dividend policy regarding general industrial sector?

Objective of research

The objective/target of this paper is influencing of dividend policy evaluating through the financial factors of the objectives are as follows:

- Investigate the association betwixt dividend policy and financial factors regarding general industrial sector.
- Investigate the impact of explanatory variables on dividend policy of general industrial sector.

LITERATURE REVIEW

The domain of dividend policy is a critical bit of the corporate finance in light of the fact that previous assessment which was gave their accurate affirmations had been done by the notable analysts, for instance, Bhattacharya (1979) and not far in the past DeAngelo et al. (1996), Fama and French (2001), Nizar Al-Malkawi (2007) and Al-Najjar and Hussainey (2009). As demonstrated by Lintner (1956) fought that fragment of dividend paid on the affiliation's present picking up and some piece of dividend in prior getting, influence on the previous year winning and year before dividend paid, in any case Gordon (1959) battled that dividend decision has sway the organization's indulgence. In the other strategy for perspective Miller and Modigiliani (1961) proclaim that the proportion of dividend has no impact on organization's lavishness without tax, trade costs and other market flaws. Subsequently, this dissimilarity of the speculations of the dividend technique is gotten the "puzzle".

Dividend Policy and Current Ratio

Current Ratio is a middle factor of organization's introduction in dividend policy decisions since this evaluates the circumstance of the firm whether it's setback or advantage. As showed by (Ahmed and Javid, 2009) bore witness to that liquidity is a noteworthy factor of dividend payout policy. If the advantages of the associations will short later on that positively effect on the liquidity of the firm since they are genuinely endless supply of the associations so it should be liquidity in higher circumstance of any firm that will be tackle in practical manner. Higher liquidity reliably of any associations or associations attracts to the examiners since they needs to place assets into those associations whose liquidity position is quality or they simply needs procures advantage as much they can so it reflects the associations quality whether it will in general be relates any divisions. Different examiners have different insights as for liquidity and dividend payout ratio. One School of thought, for instance, (John and Muthusamy, 2010) recommended that the relationship among liquidity and dividend policy is insignificant and negative and the other perspective (Parsian and Amir, 2013) asserted that liquidity and benefit payout is significant and negative to each other. If any firm cash payout to the monetary pro perfectly healthy of dividend would lessen the openness of resources for the association. The affirmations are demonstrated to the previous finding of (Baker et al., 2001; Bruce, 2011; Darling, 1957) who found that liquidity (current ratio) and dividend payout association transport negative to each other. Consequently, significant and negative connection in between of liquidity and dividend payout is predicted.

Dividend Policy and Leverage

According to Al-Kuwari (2009) and Al-Shubiri and Ramesh (2011) affirmed that those associations have more trade cost nearby more leverage to deal with any extraordinary issues with more dividend adjoining that they are in astoundingly delicate condition without their cost of outside financing (Adelegan, 2003). The after effect of the prior explores observational evidence that the connection between dividend policy and leverage is insignificant similarly as affirmed by Jensen (1986), Bradley et al., (1998), however connection between these two, for instance, dividend policy and leverage is insignificant (Al-Najjar and Hussainey, 2009; Al Shabibi and Ramesh, 2011). According to (John and Muthusamy, 2010) asserted that associations are committed to convey more dividend with apex of leverage. Despite those different investigation appraisals by reason that cash related leverage isn't significant effect on dividend payout technique (Attiya, 2009). In any case, Naceur et al. (2006) found that high peril associations have a high leverage to payout with generally not any dividend and have outstandingly low dividend yields. Likewise,

increasing the firm commitments coming about dividend low (Hardianto, 2021). Consequently, insignificant association between leverage and dividend payout is predicted.

Dividend Policy and Firm Size

Firm size is assessed by fundamental logarithm of the total assets in light of changing of its affiliations (Gill et al., 2010). As indicated by (Perretti et al., 2013) asserted that the dividend policy have been enthusiast surveyed by the firm size. By and large giant firms expected for high picking up than the little firms; in any case, when high advantage is customary than ought to be dividend payout to the examiners and its sound factor for the game-plan choices of the dividend for the colossal firms. Goliath affiliations have a gigantic constraint of dispute in the capital market entrance with colossal purchasers which increment the monetary advantage than this ought to be pass on more dividend (Dickens et al., 2002) regardless, it's likewise favor argumentation by Fama and French (2001), Aivazian et al. (2003), Sawicki (2005) found a positive relationship in firm size and dividend payout. Number of different appraisals, for example, (Travlos et al., 2002; Nizar Al-Malkawi, 2007; Al Shabibi and Ramesh, 2011) confirmed that the association between firm size and dividend payout framework is positively exist. From this time forward, positive association in firm size and dividend payout is forecasted.

Dividend Policy and Earnings Per Share

Earnings per share are a rule factor for any organization's profitability since it surveys the dividend payout of the outright earnings. As showed by (Chidinma et al., 2013) stated that when organization's decently evaluated worth is on top that suggests dividend is extending; subsequently, also financial specialists get greater. The measure of cash of stocks everyone would get when every single of the pay offer out to the remarkable stocks toward the zenith of the year and it moreover audit that how much affiliation's compensation associated with the speculator premise. Nevertheless, there is no vulnerability the computations reliant on exceptional stocks openness of the companies or companies that would be help for the examiners choose decisions quickly to contribute also effect on dividend payout assuming that earning per share is high that suggests high income would be anticipated and besides give out the dividend to the stockholders from the net increase. According to Howatt et al. (2009) found that alterations in dividend coming about changes in earning per share expected later on. Expected earnings have been extent of evaluated by the dividend payout procedure (Baker et al., 1985). Earnings per share are effect on dividend policy found by (Attiya, 2009). According to Abu (2012) found that the connection between earnings per share and dividend payout is negative to each other. The purpose behind pessimistic between earnings per share and dividend payout that when firms payout in a perfect world keep hold of them inside affiliations coming about have no record or theory to place assets into cutting-edge endeavors later on. In this manner, negative connection between earnings per offer and dividend payout is forecasted.

Dividend Policy and Return on Assets

Unmistakable appraisal contemplates utilized return on assets as productivity. Return on asset is inclination on effectual of the firm that in making pay utilizes its points of interest (Ang and Abor, 1997). As per Amidu and Abor (2006) and Al Najjar (2009) discovered that (ROA) influence the dividend payout of the relationship to the prosperous nations. Earlier appraisal considers (Prianda et al., 2022; Uwuigbe et al., 2012; Al-Hasan, et al.,2013; Onyinlola, et al., 2014; Abdul and Muhibudeen, 2015) found that dividend policy have been significant impact by return on assets. As appeared by (Amidu, 2007)

struggled that return on assets influence dividend policy seeing productivity in any case correspondingly as significant and positive effect on dividend payout. On the off chance that the advantages of firms or relationship on top that recommends the compensation of those affiliations will be on summit and cash related specialists will get a kick out of the chance to put resources into these sorts of firms that can pulls in. Return on assets is a financial related factor used to make pay in which essentially used to mean resources of the affiliations or firms that lone impact on the benefit of the firm. In the event that return on assets on top that gathers of income dividend also high so this is expeditious and positive connection between these two. Thusly, this maintained by Amidu and Abor (2006), positive connection between return on assets and dividend approach exist. As showed by (Kania,2005; John and Knyazeva, 2006) states that affiliations will develop the money related focal points will pass on increment the dividend payments later on. From this time forward, significant and positive connection between return on assets and dividend payout is forecasted.

Dividend Policy and Return on Equity

As showed up by (De Angelo et al., 2005) proposed that connection of dividend policy and return on equity is significant betwixt them. Earlier assessment takes a gander at Al-Kuwari (2009) confirmed that return on equity is the level of making save inside for uncover to the association's income. As appeared by (Hettinger, 2011) found that return on equity is used to back for trade that is rely on the debt and equity yet this is tremendous a premonition condition that lessens the chances of accomplishment or ampleness of the affiliations. Thusly, fundamental firms constantly consider on obligation cash as opposed to worth record since they have a probability to plan to gets advantage yet barely any affiliations consider a worth cash they depends on own inside creation underpins which are the bit of the worth firms at any rate in this paper return on equity is the essential factor of the dividend technique decisions since it reflects the judgment of solidarity and supportive of the affiliations. Right when firms return on equity will decrease that proposes money related supervisors won't vitality to back or place their focal points into the association's thusly negative increment on respect some segment of these affiliations and relatively as sufficiency and capability of the affiliation lessens. In this way, significant and negative connection between return on equity and dividend payout is forecasted.

Empirical Evidence

In corporate finance, dividend policy topic is core element in this recent era because of appropriation of net income to stoke holders. Numerous research studies argued on dividend policies whether it’s firm opulence or shareholders wealth and vice versa. In this research paper we have discussed on financial factors influencing on dividend policies that numerous researchers had given evidence on this particular study of dividend policies are as follows:

Khan et al. (2015) discovered that dividend payout ratio has a significant impact on profitability such as ROA with respect to non-financial firms listed in (KSE-100). The data were gathered from the forty eight non-financial firms of their yearly reports and financial position analysis of the State Bank of Pakistan (SBP) using the panel data regression from the year of 2008-2012.

Kajola et al. (2015) investigated that dividend payout is significant influence on profitability (ROA) and leverage using pooled regression model while the data had taken from 25 listed non-financial firms in Nigeria Stock Exchange for the period 1997-2011.DeAndrade et al. (2015) found that dividend payout has significant impact on profitability (ROE) using ordinary least squares linear regression based on panel data with fixed effective model and random effective model and negative association ship

betwixt dividend payout and profitability is negative. These results revealed that random effect model were more fitted than fixed effective model based on hausman test. The data had taken from Chinese organizations which are listed in (NASDAQ) stock exchange and data consisted of 75 Chinese companies from 2010 to 2014 constructing a panel with 300 observations.

Malik et al. (2013) examined that dividend payout has significant influence on current ratio and return on equity using Pooled (OLS) regression model based on panel data of 100 financial and non-financial firms over the period 2007-2009 which is listed on KSE-100 index. Maqbool et al. (2015) inspected that dividend payout has significant effect on return on assets and return on equity but insignificant influence on firm size using SPSS relied on secondary data have taken from the website of Lahore stock exchange of different firms including telecom sector, banking sector and textile sector for the past five years. Thafani and Abdullah (2014) evaluated that significant association between ROA and ROE with DPR using model of regression and estimate the association ship betwixt DPO and CP. The data were taken from yearly reports of the chosen Manufacturing Companies listed on Colombo Stock Exchange in Sri Lanka during the period from 2007-2011.

Sanjari and Zarei (2015) indicated that liquidity (CR) and Profitability (ROA) has significant aftermath on dividend policy while the data were assembled from 70 organizations in the Tehran Security Exchange (TSE) during 2009-2013using the multiple regressions approach. Fahim et al. (2015) examined that determinant factors effect on the DPR while investigation of information different statistical tools i.e. descriptive statistics, correlation matrix and panel data analysis are applied. Random effects model is chosen to gauge the determinants of DPO and their effect on it. The sample data of 53 financial firms have chosen out of 181 and collected over the period of seven (7) years from 2007-2013 while sample of this exploration is limited to the chose listed financial organizations of Pakistan.

Zameer et al. (2013) pointed out that profitability has positive and significant effect on DPR but liquidity negative and significant impact on DPR while size and leverage insignificant influence on DPR using the sample data of 27 foreign and domestic banks functioning in Islamic and Conventional banking in Pakistan listed at various stock exchanges over the period of 7 seven years from the period of 2003-2009 based on regression analysis.

Hypothesis

This research paper will evaluate to investigate the following null hypothesis:

H_O1: There is no significant association between DPR and ROA.
H_O2: There is no significant association between DPR and ROE.
H_O3: There is no significant association between DPR and FS.
H_O4: There is no significant association between DPR and LVR.
H_O5: There is no significant association between DPR and CR.
H_O6: There is no significant association between DPR and EPS.

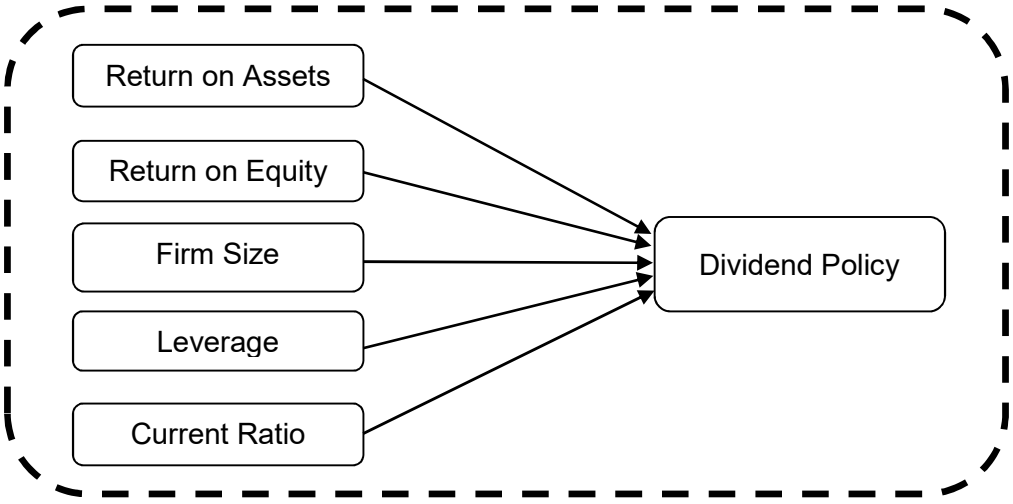

Figure 1: Proposed Conceptual Framework

METHODOLOGY

Population and Sample Size

This study's sample size based on quantitative data of general industrial sector which is listed on Karachi Stock Exchange which is collected from Financial Positions, Income Statement and Report of Joint Stock Companies regarding SBP. The sample size data have been taken of 11 years (2014-2022) and it's consist of 99 observations to evaluate the financial factors have influenced on dividend policy decisions regarding general industrial sector.

Model Specification

To evaluate the financial factors such as ROA, ROE, FS, LVR, CR and EPS have influencing on dividend per share of the general industrial companies. In this paper three different models have been used such as pooled ordinary least square method (OLS), fixed effective model (FEM) and random effective model (REM) are as follows with different three types of panel regression model:

$$DPR_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 ROE_{it} + \beta_3 FS_{it} + \beta_4 LVR_{it} + \beta_5 CR_{it} + \beta_6 EPS_{it} + \varepsilon_{it} \quad \text{.....(A)}$$

$$DPR_{it} = \beta_{0i} + \beta_1 ROA_{it} + \beta_2 ROE_{it} + \beta_3 FS_{it} + \beta_4 LVR_{it} + \beta_5 CR_{it} + \beta_6 EPS_{it} + \varepsilon_{it} \quad \text{.....(B)}$$

$$DPR_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 ROE_{it} + \beta_3 FS_{it} + \beta_4 LVR_{it} + \beta_5 CR_{it} + \beta_6 EPS_{it} + \varepsilon_i + \mu_{it} \quad \text{.....(C)}$$

Where,

DPR_{it}–Dividend Payout Ratio of firmi at time t

β_0 – Intercept.

β_1 to β_6 – Coefficients of independent variables.

β_{0i}-- Intercept of firm i.

ROA_{it} – Return on Assets of firm i at time t.

ROE_{it} –Return on Equity of firm i at time t.

FS_{it}– Firm Size of firm i at time t.
LVR_{it} --Leverage of firm i at time t.
CR_{it} --Current Ratio of firm i at time t.
EPS_{it} --Earnings per Share of firm i at time t.
μit-- Random error term of firm i at time t.
εi— Term error of Cross sectional.
ε_{it} –Error term of firm i at time t.

Table 1
Variables Research with symbols and its formulas

Dependent Variable	**Symbol**	**Formula**
Dividend Payout Ratio	DPR	Dividend Per Share/Earning Per Share
Independent Variables		
Return On Assets	ROA	Net Income after taxes/ Total Assets
Return On Equity	ROE	Net Income after taxes/ Total Equity
Firm Size	FS	Natural Logarithm of Total Assets
Leverage	LVR	Total Debt/ Total Equity
Current Ratio	CR	Current Assets/ Current Liabilities
Earnings Per Share	EPS	Net Income after taxes-Dividend Preferred Stock/ Outstanding Shares

RESULTS AND ANALYSIS

Table 2
Correlation Model

Variables	**DPR**	**ROA**	**ROE**	**FS**	**LVR**	**CR**	**EPS**
DPR	1						
ROA	0.151868	1					
ROE	0.034544	0.460769	1				
FS	-0.00624	0.178993	-0.10638	1			
LVR	-0.0055	-0.11595	0.020699	-0.00739	1		
CR	-0.12532	0.658053	0.004046	0.252844	-0.1234	1	
EPS	0.021815	0.444428	0.111898	0.338827	-0.04056	0.27728	1

The correlation model seems to be very weak that means (DPR) is associated with all variables i.e. ROA, ROE, FS, LVR, CR and EPS with only (.15, .034, -.0062, -.005, -.125 and .021). In additional, (ROA) is strong associated with (CR) with only (.658) and further variables such as return on equity (ROE) is associated with return on assets (ROA) only (.46). Further analysis would be easy way when the figures are as follows:

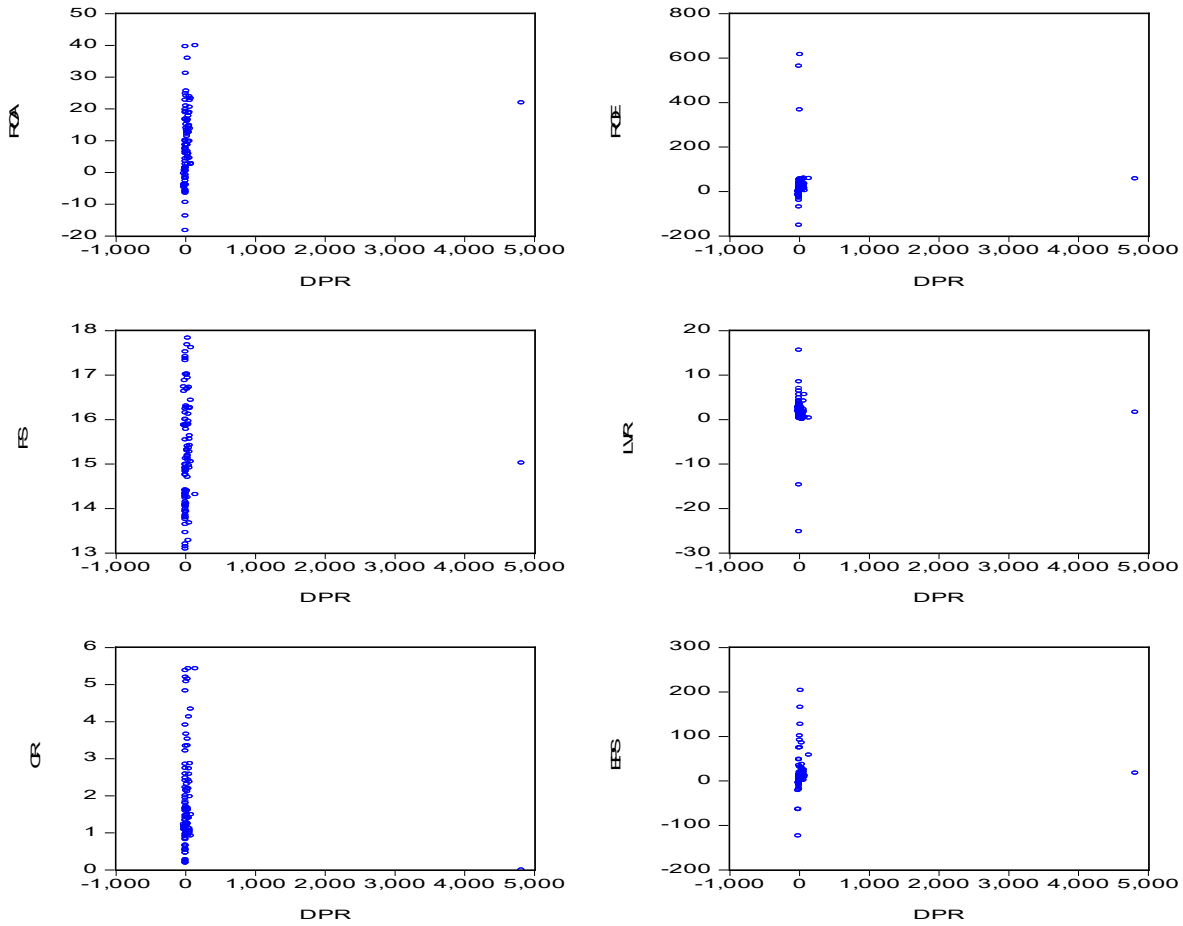

Figure 2: Graph of Correlation Model Regarding Independent Variables and Dependent Variable

Multi-Collinearity Test

In general, when variables are correlated with .80 or more among the independent variables then will be multi-collinearity exists but in this model no variable has .80 or more correlated with other variables that mean we can say that multi-collinearity not exist in this model. So, this is a good sign of the correlation model.

Table 3

Pooled Regression Model

	C	ROA	ROE	FS	LVR	CR	EPS
C	135.702	29.27769	-1.3436	7.215566	0.856201	-200.39	-1.27695
Pr.	0.8305	0.0002	0.038	0.8647	0.9439	0.0003	0.3633
R^2	.158108						
Pr: (F-sta)	.012868						
Dbn-Wt.Sta	2.208334						

Equation 1

*DPR = 135.702 + 29.27769*ROA - 1.3436*ROE + 7.2155*FS + 0.8562*LVR - 200.39*CR - 1.2769*EPS*

In this Pooled (OLS) model DPR is significant effect on variables such as (ROA), (ROE) and (CR) with only (.0002, .038 and .0003) that means probability value .0002 is less than .05 or 5%, .038 is less than .05 or 5% and .0003 is less than .05 or 5%. When we another way elaborate this model that (DPR) is significant influencing on (ROA), (ROE) and (CR) but another way we can analysis of independent variables that tells remaining independent variables for example (FS, LVR and EPS) are insignificant effect on DPR which is .8647, .9439 and .3633 is greater than .05 or 5%. R^2 is 15.81% exist in this model that means dividend payout ratio is dependent on ROA, ROE, FS, LVR, CR and EPS or 15.81% variations of dividend payout ratio can be elaborate by these variables such as ROA, ROE, FS, LVR,CR and EPS. In additional, these explanatory variables for example ROA, ROE, FS, LVR, CR and EPS can impact on 15.81% only on dividend payout ratio and remaining percentage 84.19% variations on dividend payout ratio can be elaborate by other variables that mean extrinsic variables are effect on 84.19% and interior or inside factors impact only 15.81%. In this model F-stats has shown only 2.87 that mean Prob. value of (F-stats) is .0128 that means .0128 is less than .05 or 5% or Prob. Value of F-Stats is significant impact in random model. So, this is a good sign in every perspective. D-W. Stat. shows 2.20 that means this 2.20 (Approx. 2) i.e. there is no evidence of auto- correlation in the residuals. So, this model can be good model whereas R^2 is not good position.

Table 4
Fixed Effective Model

	C	**ROA**	**ROE**	**FS**	**LVR**	**CR**	**EPS**
C	1275.996	30.3541	-1.525152	-66.34135	0.031931	-212.292	-1.381972
Pr.	0.3581	0.0032	0.054	0.4578	0.9981	0.0022	0.3796
R^2	0.21667						
Pr: (F-sta)	.08012						
Dbn-Wt.Sta	2.3652						

Equation 2

*DPR = 1275.996 + 30.3541*ROA - 1.5251*ROE - 66.341*FS + 0.0319*LVR - 212.29*CR - 1.381*EPS*

In this (FEM) fixed model DPR is significant impact on variables such as ROA and CR with only (.0032 and .0022) that means probability value .0032 is less than .05 or 5% and .0022 is less than .05 or 5%. When we another way elaborate this model, dependent variable (DPR) is significant influencing on ROA and CR but another way we can analysis of independent variables that tells remaining independent variables for example (ROA, FS, LVR and EPS) are insignificant effect on which is .0540, .457, .998 and .3796 is greater than .05 or 5%. R^2 is 21.67% exist in this model that means dividend payout ratio is dependent on ROA, ROE, FS, LVR, CR and EPS or 21.67% variations of dividend payout ratio can be elaborate by these variables such as ROA, ROE, FS, LVR,CR and EPS. In additional, these explanatory variables for example ROA, ROE, FS, LVR, CR and EPS can impact on 21.67% only on dividend payout ratio and remaining percentage 78.33% variations on dividend payout ratio can be elaborate by other variables that mean extrinsic variables are impact on 78.33% and interior or inside factors impact only 21.67%. In this model F-stats has shown only 1.659 that means Prob. value of (F-stats) is .080 that means .080 is greater than .05 or 5% or Prob. Value of F-Stats is insignificant impact in fixed model. So, this is not a good sign. D-W. Stat. shows 2.36 that means this 2.36 (Approx. 2) i.e. there is no evidence of auto-

correlation in the residuals. So, this model can be good model whereas R^2 is not good position.

Table 5
Random Effective Model

	C	ROA	ROE	FS	LVR	CR	EPS
C	135.702	29.27769	-1.3436	7.215566	0.856201	-200.39	-1.27695
Pr.	0.8321	0.0002	0.0398	0.8659	0.9445	0.0003	0.3679
R^2	.158108						
Pr: (F-sta)	.012868						
Dbn-Wt.Sta	2.2083						

Equation 3

*DPR = 135.702 + 29.277*ROA - 1.3436*ROE + 7.215*FS + 0.8562*LVR - 200.39*CR - 1.276*EPS*

In this (REM) random model DPR is significant effect on variables such as ROA, ROE and CR with only (.0002, .0398 and .0003) that means probability value .0002 is less than .05 or 5%, 0398 is less than .05 or 5% and .0003 is less than .05 or 5%. When we another way elaborate this model that DPR is significant influencing on ROA, ROE and CR but another way we can analysis of independent variables that tells remaining independent variables for example (FS, LVR and EPS) are insignificant effect on DPR which is .8659, .9455 and .3679 is greater than .05 or 5%. R^2 is 15.81% exist in this model that means dividend payout ratio is dependent on ROA, ROE, FS, LVR, CR and EPS or 15.81% variations of dividend payout ratio can be elaborate by these variables for example ROA, ROE, FS, LVR,CR and EPS. In additional, these explanatory variables such as ROA, ROE, FS, LVR, CR and EPS can impact on 15.81% only on dividend payout ratio and remaining percentage 84.19% variations on dividend payout ratio can be elaborate by other variables, that means extrinsic variables are effect on 84.19% and interior or inside factors impact only 15.81%. In this model F-stats has shown only 2.87 that means Prob. value of (F-stats) is .0128 that means .0128 is less than .05 or 5% or Prob. Value of F-Stats is significant impact in random model. So, this is a good sign in every perspective. D-W. Stat. shows 2.20 that means this 2.20 (Approx. 2) i.e. there is no evidence of auto- correlation in the residuals. So, this model can be good model whereas R^2 is not good position.

Hausman Test

The Hausman test inspect a well-organized model in opposition to less organized in any case, particularly in order to be reasonable or precise model to investigate that efficient gives fair or accurate model. Hausman test is always used to measure or estimate betwixt REM and FEM and also look over betwixt these models which model is more fitted. So, we can used the Hausman test and this test evaluate the following hypotheses:

Ho: Random effective model is fitted
Ha: Fixed effective model is fitted

Table 6
Chi-Square Test

Test Sum	**Chi-Sq_Statstc**	**Chi_Sq_d_f**	**Pr.**
Crs-sec rndm	4.891818	6	0.5578

The Chi-Sq. Stats is 4.89 along with Probability value is .5578 which is insignificant that means .5578 higher than .05 or 5%. So, Ho is accepted that means random effective model is more fitted than fixed effective model or we can say that more fitted estimation is random effect method.

Table 7
Evaluation of all results

Hypothesis	**DPR**	**Level**	**Association**	**Tool**
H_O1	There is no significant association betwixt DPR and ROA	Rejected	Positive	Pooled (OLS)
		Rejected	Positive	FEM
		Rejected	Positive	REM
H_O2	There is no significant association betwixt DPR and ROE	Rejected	Negative	Pooled (OLS)
		Accepted	Negative	FEM
		Rejected	Negative	REM
H_O3	There is no significant association betwixt DPR and FS	Accepted	Positive	Pooled (OLS)
		Accepted	Negative	FEM
		Accepted	Positive	REM
H_O4	There is no significant association betwixt DPR and LVR	Accepted	Positive	Pooled (OLS)
		Accepted	Positive	FEM
		Accepted	Positive	REM
H_O5	There is no significant association betwixt DPR and CR	Rejected	Negative	Pooled (OLS)
		Rejected	Negative	FEM
		Rejected	Negative	REM
H_O6	There is no significant association betwixt DPR and EPS	Accepted	Negative	Pooled (OLS)
		Accepted	Negative	FEM
		Accepted	Negative	REM

CONCLUSION

Nowadays every firm is very cautious about the policies of dividend because of shareholders. They always wants profit, if the firms business running well that means it automatically investors will move on these profitable firms and they will invest in these firms and vice versa.

This study depends on the discoveries of the outcomes regarding the financial factors effect on dividend policy of the general industrial sector. The different models have been used such as Pooled (OLS), Fixed Effective Model (FEM) and Random Effective Model (REM) to evaluate the outcomes from these models. The above results have been cleared mentioned are as follows:

Pooled (OLS) Model

- In Pooled (OLS) Model the three variables (ROA, ROE and CR) are significant effect on dividend policies while remaining variables such as (FS, LVR and EPS) are insignificant impact on dividend policies.
- The association betwixt dividend payout with all explanatory variables for example (positive with ROA, FS and LVR while negative with ROE, CR and EPS).

Fixed Effective Model (FEM)

- In fixed effective model (FEM) the two variables (ROA and CR) are significant impact on dividend policies but remaining variables such as (ROE, FS, LVR and EPS) are insignificant impact on dividend policies.
- The association betwixt dividend payout with all explanatory variables for example (positive with ROA and LVR while negative with ROE, FS, CR and EPS).

Random Effective Model (REM)

- In random effective model (REM) the three variables (ROA, ROE and CR) are significant effect on dividend policies but remaining variables for example (FS, LVR and EPS) are insignificant impact on dividend policies.
- The association betwixt dividend payout with all explanatory variables for example (positive with ROA, FS and LVR while negative with ROE, CR and EPS).

Fitted Model (Fixed Effective Model vs. Random Effective Model

The above outcomes of the result that random effective model is more fitted than fixed effective model because of Hausman test which is.5578 which is greater than 5% or .05. So, the general industrial sector more preferred random effective model than fixed effective regarding financial factors influencing on dividend policies decisions.

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